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Farmers Home Administration

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Rural Rental Housing Loans

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Rural Rental Housing Loans

Loans for rental housing in rural areas are available from Farmers Home Administration (FmHA) to provide living units for persons with low and moderate incomes and for those age 62 and older. Loans may be made for housing in open country and communities up to 20,000 people, but applicants in towns of 10,000 to 20,000 should check with their local FmHA office to see whether the agency can serve them.

How May Loan Funds Be Used?

Loans are primarily made to build, purchase or repair apartment-style housing, usually consisting of duplexes, garden-type, or similar multi-unit dwellings. The housing must be modest in size, design, and cost, but adequate to meet the tenant's needs.

Funds may also be used to:

- buy and improve the land on which the buildings are to be located;
- provide streets and water and waste disposal systems;
- supply appropriate recreation and service facilities;
- install laundry facilities and equipment;
- landscape, including lawn seeding, shrubbery and tree planting, or other measures to make the housing an attractive addition to the community.

Funds may *not* be used for nursing, special care or other institutional types of housing.

Who May Borrow?

Eligibility of applicants will be determined by Farmers Home Administration. Borrowers should have the ability and experience to operate and manage a rental housing project successfully.

Rental housing loans can be made to individuals, trusts, associations, partnerships, limited-partnerships, State or local public agencies, consumer cooperatives, and profit and nonprofit corporations. Nonprofit corporations may be organized on a regional or multi-county basis.

Borrowers must agree to provide rental units for occupancy by eligible individuals or families. They must be unable to finance the housing with personal resources and, with the exception of State or local public agencies, be unable to obtain credit from other sources on conditions and terms which would permit them to rent units to eligible families. If the borrower is a profit or limited-profit organization, the assets of the individual members will be considered in determining whether other credit is available.

FmHA will deal only with the applicant or his authorized representative. In the case of a nonprofit applicant, the representative must have no pecuniary interest in the housing site, the award of contracts, or purchase of equipment.

Does FmHA Limit The Borrower's Profit?

In cases, rent charges must be within limits that eligible occupants can afford to pay. Borrowers are required to deposit rental income in special accounts and establish reserve funds to meet long-term capital replacement needs. Limited-profit borrowers are allowed an 8 percent return on their initial investment in a project.

Who May Occupy The Housing?

The housing is for families and individuals with low and moderate incomes, and for senior citizens age 62 or over. The maximum income level for occupancy will be established by the Farmers Home Administration.

What Are The Terms?

The maximum repayment period is 50 years for projects designed for senior citizens and 40 years for all other projects. All applicants are required to provide initial operating capital equal to at least 2 percent of the cost of the project. For nonprofit organizations and State and local public agencies, fees for application packaging and the 2 percent operating capital may be included in the loan as part of the development cost.

Loans to nonprofit organizations and State or local public agencies can be up to 100 percent of the appraisal value or development cost, whichever is less. Loans to all other applicants are limited to not more than 97 percent of the appraisal value or development cost, whichever is less.

How Will Planning And Construction Be Performed?

Before a loan can be approved, applicants must provide detailed plans, specifications, and cost estimates. The applicant must provide complete architectural services, including inspections during construction. The Farmers Home Administration will review the plans and inspect the construction as it progresses.

A borrower who is a builder and capable of building a project may obtain a loan under the same conditions as any other applicant. The builder-applicant may be permitted a contractor's fee which is typical for the area.

All borrowers are encouraged to obtain interim construction funds from local lenders. A borrower must show that local construction funds are not available before FmHA will provide such funds.



What Are The Construction Standards?

All project development work such as buildings, streets, water, waste disposal, heating, and electrical systems must fully conform with applicable laws, ordinances, codes, regulations, and Farmers Home Administration requirements.

When Can Construction Be Started?

The borrower must wait until the loan is closed and authorization given by Farmers Home Administration to start construction. If interim construction financing is to be used, construction will start only after the loan is approved and funds obligated.

Where May Housing Be Located?

The housing will be located on desirable sites in a residential area that is easily accessible to community services and amenities, with an assured supply of safe drinking water and suitable arrangements for waste disposal approved by FmHA. Housing will be arranged on the site in an attractive manner to accent and preserve the advantages of natural topography, trees, and shrubbery.

What Information Is Needed?

District directors of the Farmers Home Administration will provide information on how to complete and file applications. Applicants must furnish:

- complete financial information,
- preliminary plans, specifications, and cost estimates,
- a budget of anticipated income and expenses,
- market information supporting the need for housing in the area.

Applicants may secure application forms and other ample FmHA forms for completing budgets and market surveys.

What About Loan Applicant Fees And Other Charges?

Fees are not charged for appraisals or loan processing. However, the applicant pays for legal services necessary to guarantee a satisfactory title to the site and for other incidental loan closing costs. These expenses may be included in the loan.

What Security Is Required?

Each loan will be secured in a manner that adequately protects the financial interest of the Government. A first mortgage will be taken on the property purchased or improved with the loan except for public or quasi-public organizations that cannot give a real estate mortgage. In those instances the security will be determined by Farmers Home Administration.

How Do These Loans Aid In Rural Development?

Rental housing loans are made through the Farmers Home Administration to help provide decent homes in suitable living environments. Good rental units give a balanced housing program to a rural community and make it a more desirable place to live. An adequate supply of quality housing helps check the flow of rural people to urban areas by encouraging families to live in rural communities.

The program raises living standards, creates a healthy environment for family life, and makes rural communities attractive locations for development and expansion of industries.

Rental housing loans stimulate economic activity in rural communities by increasing sales of building materials and home furnishings and by providing jobs for construction workers.

Where Can You Apply?

Applications should be made at the Farmers Home Administration district office serving the area in which the housing will be located.

Those unable to locate the local office should write to the Farmers Home Administration, U.S. Department of Agriculture, Washington, D.C. 20250.

Each person or group applying for credit must be given equal consideration without regard to race, color, religion, age, sex, marital status, handicap, or national origin.

Is Other Financial Aid Available For Housing?

The Farmers Home Administration also offers:

1. Home ownership loans to help families with low and moderate incomes finance homes and building sites.

2. Building site loans to public and nonprofit organizations to buy, develop, and sell home sites on a nonprofit basis to applicants eligible for home ownership loan assistance or for nonprofit rural rental housing projects.

3. Self-help housing loans to groups of low-income rural families who work together on the construction of their homes to reduce the cash cost. Public and private nonprofit organizations may obtain grants to provide technical assistance to such groups.

4. Repair loans for families with low or moderate income who wish to improve their living facilities.

Farmers Home Administration is an Equal Opportunity Lender. Complaints of discrimination should be sent to: Secretary of Agriculture, Washington, D.C. 20250.

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